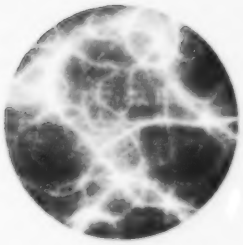
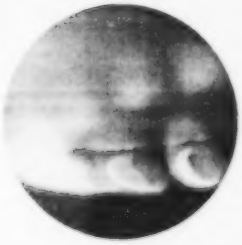
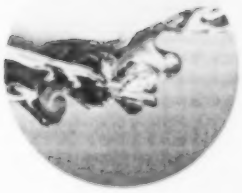






2008-2009 ANNUAL REPORT

Québec

MISSION

The responsibilities of the Régie de l'énergie include setting conditions of service and rates for the transmission and distribution of electricity and the distribution of natural gas. It also monitors the operations of regulated companies to ensure that consumers are adequately supplied and are charged fair rates.

It approves the companies' capital expenditures, supply plans and energy efficiency programs. It examines the electricity carrier's technical standards and may set operating standards for electricity and natural gas distributors. The Régie examines consumer complaints about decisions made by regulated companies concerning the application of the rates or conditions of service. It approves programs and initiatives under the Agence de l'efficacité énergétique's comprehensive plan and the related budget allocations. It monitors the prices of petroleum products and steam.

As of the time of writing, Québec has for months been suffering the effects of the economic crisis gripping the rest of the world, and particularly our neighbours to the south.

At such a time, it may be appropriate to recall that the purpose of economic regulation is to protect the public interest in non-competitive markets.

JEAN-PAUL THÉORÊT

The concept of "public interest" lends itself to differing interpretations. The shareholders of a regulated business desire a conducive business environment for the company's growth. Its management wants a clear regulatory framework that will enable the company to generate sufficient returns to attract the capital needed to maintain its facilities and grow its operations. Consumers want reliable, quality service at a fair and reasonable price. Finally, environmental groups want to make sure sustainable development is taken into account in decision-making.

It is important that, despite these divergent interests and points of view, participants in the Régie's work have a common understanding of the regulations and of the commissioners' role, which is precisely to reconcile these interests. It is the Régie's mission to look beyond short-term considerations and special interests.

It is often in periods of turmoil that a society fully realizes the value of economic regulation as an instrument of economic control in the society. In the energy sector, the purpose of regulation is to make decisions based on an objective assessment of the facts and an understanding of long-term impacts.

However, regulation cannot be static; it must evolve to permit and foster initiative and dynamism. This is why I believe the Régie must continue streamlining the regulatory process. This in no way means the Régie is renouncing the mandate it has been assigned by the government; rather, it is looking for more effective ways to carry it out.

The point of regulatory streamlining is to reorganize the process, not the outcome. The Régie has a duty to make decisions that reconcile the public interest, consumer protection and fair treatment of the regulated companies. It does so after carefully studying all the evidence brought before it. The public interest is always the overriding consideration in the Régie's decision-making.

Sound practice requires the Régie to review the methods by which it arrives at its decisions, since regulation in its current form is certainly not perfect. Information is asymmetrical, as the regulated company naturally has more information than the regulatory agency. To overcome this difficulty, the regulator must obtain from the regulated companies all information that is useful and necessary for its decisions. This entails a delicate balancing act between the desire to know everything and the need to know enough to make an informed decision.

REGULATION

It is in periods of turmoil that a society fully realizes the value of economic regulation.

The regulatory process demands participation by consumer groups, environmental groups and businesses, which have divergent motivations, information and goals. To achieve maximum effectiveness, we need decision-support procedures to offset the asymmetry of information and provide incentives for all players to work in the best interest of consumers and of society as a whole.

The coming year promises to be decisive in this respect. Concrete proposals to streamline electricity regulation should enable the Régie to improve its handling of the cases brought before it. Regulatory streamlining is particularly important in view of the fact that the Régie's mandate is being expanded to new areas.

For example, we now approve Agence de l'efficacité énergétique programs promoting energy efficiency and new energy technologies, and the Agence's annual budget. The Régie has also been given responsibility for establishing reliability standards for electric power systems and ensuring that electric power transmission in Québec meets those standards. These new responsibilities, and the additional workload they entail, have led the Régie to review its structures with a view to making them more efficient. Our experts are now organized into directorates dedicated to different forms of energy and regulated companies in order to optimize their analytic work and better support the commissioners' decision-making.

The energy sector is becoming increasingly important to our economy. Québec has been blessed with abundant hydroelectric and wind-power resources. In the coming years, rich natural gas deposits may also be found. In all these areas, the Régie will ensure that consumers and Québec society as a whole continue to enjoy access to sufficient quantities of energy at a fair price. It will also see to it that consumers are offered the most effective energy efficiency programs to help them reduce their consumption.

Sustainable development is now a central concern for Québec society, and for the Régie de l'énergie. The Régie therefore participated in the interdepartmental committee that established the government of Québec's comprehensive sustainable development plan, which applies to the administrative activities of public organizations. In this connection, the Régie adopted its own first plan in 2009, setting out the actions it will take over the coming years.

These processes are being carried out alongside the administrative and regulatory work that makes up our daily activities.

The Annual Report of the Régie de l'énergie describes the activities of the year past and discusses the challenges of the year ahead. More than ever, the exceptional work of our employees and commissioners in analyzing and processing complex files is worthy of note. I also want to mention the contributions of all the participants: they enrich our work, in the interest of consumers and society, while supporting the development of the companies under our jurisdiction.

Jean-Paul Théorêt
Chairman
June 2009

The Régie de l'énergie has authority to fix rates and conditions for the transmission and distribution of electric power and the supply, transmission, delivery and storage of natural gas, after holding public hearings. The Régie's decisions cannot be appealed.

The Régie also monitors the operations of electricity and natural gas distributors to ensure that consumers are adequately supplied, and monitors the operations of the electricity carrier, the electricity distributors and the natural gas distributors to ensure that consumers are charged fair and reasonable rates. It approves the supply plans and business programs of electricity and natural gas distributors. It approves investments, construction projects and the acquisition of assets intended for the transmission or distribution of electric power or the distribution of natural gas. The Régie ensures that electric power transmission in Québec meets its reliability standards; it determines whether the standards have been breached and if so imposes sanctions. The Régie also names Québec's reliability coordinator.

REGULATION

The purpose of economic regulation is to protect the public interest in non-competitive markets.

The Régie monitors the application of the tender solicitation and contract awarding procedure and code of ethics for the electricity distributor's supply contracts. The resulting supply contracts are submitted to the Régie for approval.

The Régie has sole authority to examine consumer complaints about a decision rendered by the electricity carrier, an electricity distributor or a natural gas distributor concerning the application of the rates or conditions of service. The carrier and distributors are required to apply an internal complaint examination procedure approved by the Régie.

With respect to petroleum products, the Régie is tasked with monitoring prices and providing consumers with information. It also has authority to determine, every three years, an amount per litre representing the operating costs borne by retailers and to assess the expediency of including this amount in the costs of gasoline and diesel fuel retailers.

With respect to energy efficiency, the Régie approves the programs and actions in the comprehensive triennial energy efficiency and new technologies plan prepared by the Agence de l'efficacité énergétique, and the total expenditures it considers necessary to adequately finance the plan. It also establishes the annual amount each energy distributor must allocate to those programs and actions.

SUMMARY OF ACTIVITIES

REGULATORY ACTIVITIES

The Régie rendered 109 decisions on applications during 2008-2009, some of which had far-reaching implications for all Quebecers.

Through its rate decisions, capex authorizations and monitoring of the companies under its jurisdiction, the Régie ensures that rates are fair and reasonable, that the capital expenditures needed to maintain and extend the electric power transmission network and the electricity and natural gas distribution systems can be made, and that the regulated companies comply with applicable standards and terms and conditions for consumer service.

This was the first year in which the Régie exercised its jurisdiction over the Agence de l'efficacite énergétique. It studied the Agence's applications for approval of its comprehensive energy efficiency and new technologies plan, and its annual budgets.

In 2008-2009, the Régie received 30 applications and 160 complaints. It held 80 days of hearings, 8 working sessions, 3 preparatory conferences and 66 conciliation sessions.

RATE-SETTING

THE RÉGIE DE L'ÉNERGIE HAS EXCLUSIVE JURISDICTION TO SET ELECTRICITY AND NATURAL GAS RATES.

To fix rates using the cost of service method, the necessary cost of service delivery, including a return for the regulated company, must first be determined. In the case of electricity distribution, the cost of supply and of transmission service are part of the cost of service. In the case of natural gas distribution, these costs are passed on directly to customers and are adjusted periodically to reflect market prices. For both electricity and natural gas, supply and transmission costs are billed without loss or profit to the distributor.

The cost of service is then divided among the different consumer classes in order to allocate costs to the customers by which they are generated. Finally, the rates for each class of consumer are set on the basis of the costs allocated to that class, the level of cross-subsidization between consumer classes, and the public interest.

SUPPLY

The distributor's cost of electricity supply is a significant component of the cost of service, accounting for approximately half of the total cost. Purchases of electricity supply are divided into two categories.

For heritage pool electricity, which totals 165 TWh and accounts for the bulk of the electricity distributed, the cost allocated to each consumer class is based on an average heritage pool electricity cost of 2.79 cents per kilowatt-hour, as stipulated in the Act respecting the Régie de l'énergie. For electricity needs beyond the heritage volume, the distributor purchases supplies at market prices, primarily through calls for tenders.

With respect to natural gas, Gaz Métro must purchase the supplies required to meet continuous demand during peak periods, seasonal demand from continuous service customers, and as far as possible the demand from interruptible service customers. To minimize supply costs, Gaz Métro has a hedged portfolio of geographically diversified supply contracts with staggered dates.

Gazifère buys all its supplies from Enbridge Gas Distribution at the rate set by the Ontario Energy Board.

ELECTRICITY

THE RÉGIE DE L'ÉNERGIE HAS EXCLUSIVE JURISDICTION TO SET RATES AND CONDITIONS AND TO AUTHORIZE CAPITAL EXPENDITURES.

ELECTRIC POWER TRANSMISSION

With respect to electricity transmission, the Régie approved a revenue requirement of $2.733 billion for 2009 and the resulting rates and conditions for Hydro-Québec TransÉnergie.

The Régie authorized the carrier to make capital expenditures totalling $1.043 billion to reinforce its network, connect new power plants and wind farms, and other purposes.

ELECTRIC POWER DISTRIBUTION

With respect to electricity distribution, the Régie fixed the rates for all Québec consumers as of April 1, 2009. The authorized revenue requirement for Hydro-Québec Distribution is $10.666 billion for the 2009 rate year, a $115 million increase from the previous year, which represents an average 1.2% rate hike for consumers.

In the same case, the Régie also approved Hydro-Québec Distribution's $262 million energy efficiency budget for 2009 and its update of the 2003-2010 comprehensive energy efficiency plan, which calls for expenditures totalling approximately $1.87 billion (of which $689 million is to be paid directly by consumers). The plan is expected to save 5.0 TWh by 2010.

The Régie also amended some of the distributor's conditions of service for electricity supply and related expenses.

The Régie approved Hydro-Québec Distribution's 2008-2017 supply plan.

The Régie monitored, on an ongoing basis, the application of the tender solicitation procedure for the purchase of energy and power on short-term markets. The Régie approved contracts related to the second 2000 MW block of wind energy. It began examining applications concerning the Distributor's tender evaluation grid for electricity purchases from community and Aboriginal wind energy projects.

The Régie accepted a request to approve a memorandum of understanding concerning the temporary suspension for the year 2009 of electricity generation at the Bécancour power plant and the final agreement between Hydro-Québec Distribution and TransCanada Energy Ltd.

The Régie authorized $669 million in capital expenditures for the construction and/or improvement of electricity distribution infrastructure.

ADMINISTRATIVE FOLLOW-UP

- Annual reports from the carrier and the distributor
- Monitoring of tender solicitations
- Progress report on the distributor supply plan

NATURAL GAS

THE RÉGIE DE L'ÉNERGIE HAS EXCLUSIVE JURISDICTION TO SET RATES AND CONDITIONS AND TO AUTHORIZE CAPITAL EXPENDITURES.

For natural gas, the Régie authorized an average 7.0% increase in Gaz Métro's transmission, load balancing and distribution rates as of October 1, 2008. The distributor's authorized revenue requirement was set at $918 million. In the same hearing, the Régie also approved Gaz Métro's supply plan, capital expenditures, comprehensive energy efficiency plan, and the annual action plan for its energy efficiency fund.

For Gazifère, the Régie set distribution rates for the year 2009. An average rate increase of 6.6% as of January 1 was approved. Gazifère's authorized revenue requirement was set at $35 million. Gazifère's annual report, supply plan and capital expenditures were approved in the same proceeding.

The Régie continued work on setting the two gas distributors' conditions of service. The conditions will clarify and harmonize relations between natural gas consumers and distributors. Plans call for the conditions of service to come into effect in January 2010.

The energy efficiency initiatives taken by the distributors and by Gaz Métro's energy efficiency fund cost nearly $15 million and resulted in a reduction in consumption of approximately 36 million cubic metres in 2007.

The Régie also authorized the natural gas distributors to invest $130 million in extending, reinforcing and improving their systems.

ADMINISTRATIVE FOLLOW-UP

- Monthly check of the price Gaz Métro charges for gas supply service
- Application for approval of mid-year rate adjustments for the distributors

MONTHLY ADJUSTMENT OF SYSTEM GAS PRICE

ENERGY EFFICIENCY

THE RÉGIE DE L'ÉNERGIE APPROVES ENERGY EFFICIENCY PROGRAMS AND BUDGETS

Since 2007, the Régie has been responsible for approving the comprehensive energy efficiency and new technologies plan of the Agence de l'efficacité énergétique and the related annual budgets.

The regulated companies and the Agence are spending approximately $325 million in 2008-2009 to support energy efficiency efforts. The initiatives implemented by the distributors are expected to save 924 GWh of electricity and 35 Mm³ of natural gas over the lives of their energy efficiency plans. The Agence's programs should generate total savings of 394 TJ over the long run. In all, these initiatives are saving consumers more than $1 billion per year.

With respect to electric power distribution, more than $250 million is being spent per year to promote the implementation of energy efficiency measures by customers in all sectors of activity. Some programs in the electricity distributor's comprehensive energy efficiency plan are targeted for widespread deployment. For example, the Energy Wise Home Diagnostic program had reached approximately 1 million households as of the beginning of 2009. Other programs apply to large-scale energy-reduction projects. For example, the Plant Retrofit Program – Major Customers provides industrial customers with financial assistance of up to $30 million per project.

With respect to natural gas, the Régie authorized annual budgets of $14.3 million and $356,000 for the comprehensive energy efficiency plans of Gaz Métro and Cazéfère respectively in the year 2010, plus $3 million for Gaz Métro's energy efficiency fund. The two gas distributors' comprehensive energy efficiency plans target consumers within their service areas. They mainly promote the replacement of natural-gas-fuelled equipment for water heating, space heating and industrial processes.

THE COMPREHENSIVE ENERGY EFFICIENCY AND NEW TECHNOLOGIES PLAN OF THE AGENCE

The Régie began studying the comprehensive energy efficiency and new technologies plan of the Agence de l'efficacité énergétique on July 31, 2008. The Régie authorized the 2008-2009 budget, which provides for a revenue requirement of $43.8 million for the purpose of calculating the share payable by subject companies. The Régie must determine the revenue requirement for 2009-2010 and the allocation of expenses by form of energy for 2007-2008. The Agence is to file its comprehensive plan for 2010-2013 in June 2010.

The Agence de l'efficacité énergétique is responsible for coordinating all energy efficiency efforts with a view to achieving the goals of Québec's energy strategy. Its comprehensive plan covers the initiatives that will be taken to achieve the government's targets and is submitted to the Régie for approval every three years. The energy efficiency programs administered by the Agence target primarily the consumers of fuels. They also include measures involving more than one form of energy. In addition, the Agence must promote the development of new energy technologies. For the 2007-2010 comprehensive plan, the Régie authorized or recognized expenditures totalling $122 million. For 2009-2010, the Régie authorized a $63.1 million budget.

PETROLEUM PRODUCTS

THE RÉGIE DE L'ÉNERGIE MONITORS PETROLEUM PRODUCT PRICES IN QUÉBEC'S 17 ADMINISTRATIVE REGIONS AND INFORMS CONSUMERS.

MONITORING OF PETROLEUM PRODUCT PRICES

With respect to petroleum products, the Régie continued monitoring the prices of gasoline, diesel fuel and light fuel oil, and published the results every week in its Bulletin d'information sur les prix des produits pétroliers au Québec, which is available on the Régie's website. It also continued publishing a daily cost price indicator and a daily report on gasoline prices. As well, during the heating season, the Régie publishes a weekly report on the price of heating fuel oil. It responded to nearly a thousand enquiries from the public and the media on this subject.

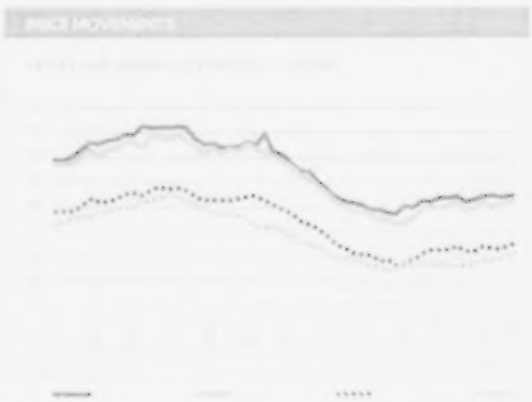
The Régie estimates minimum prices based on the minimum price at the loading ramp, minimum transport costs, taxes and, if the Régie so decides, an amount for operating expenses. The estimated minimum price of regular gasoline, super and diesel fuel is calculated for more than 120 municipalities and boroughs on a weekly basis.

To assess its performance of its price monitoring and reporting mandate, the Régie conducted a reader satisfaction survey. In light of the results, it will decide whether changes should be made to its information reporting methods.

On July 11, 2008, the Régie released its decision on a joint application from an independent retailer and the Association québécoise des indépendants du pétrole to include an amount representing operating costs in the minimum price for the town of Saint-Jérôme. In its Decision D-2008-091, the Régie decided to include an amount representing operating costs for the purposes of application of section 67 of the Petroleum Products Act for the town of Saint-Jérôme for a 30-month period.

In August 2008, the Régie began examining two applications filed by the town of Saint-Jérôme: an application to review Decision D-2008-091 and a motion for a stay of execution of the same decision. On September 29, 2008, the Régie denied the motion for a stay. On January 19, 2009, the Régie denied the application for a review of Decision D-2008-091.

In 2009-2010, the Régie will hold a hearing to determine the operating costs borne by a retailer of gasoline or diesel fuel, in accordance with section 59 of the Act respecting the Régie de l'énergie. This process is carried out every three years.



PRICE MOVEMENTS

Oil prices fluctuated widely in the last 12 months. After peaking in the summer of 2008, prices dropped sharply. The average price was slightly higher than in the previous year.

REGULAR GASOLINE

From April 1, 2008 to March 31, 2009, the weighted average price of regular gasoline at the pump for Québec as a whole was 111.4¢/litre, compared with 109.9¢/litre during the same period of the previous year.

During the same period, the average weekly minimum price at the loading ramp in Montréal rose slightly, increasing from 65.9¢/litre in 2007-2008 to 67.4¢/litre in 2008-2009.

The price fluctuations at the loading ramp were reflected in the estimated minimum price. From April 1, 2008 to March 31, 2009, the weighted average estimated minimum price for Québec as a whole was 105.0¢/litre, up 1.3¢/litre from 2007-2008.

The average spread between the weighted retail price of regular gasoline, before taxes, and the estimated minimum price was 5.7¢/litre during the period of April 1, 2008 to March 31, 2009, compared with 5.4¢/litre in 2007-2008.

HEATING OIL

The weighted average price of heating oil in Québec as a whole was 85.5¢/litre, a 3.6¢/litre increase from the previous year.

DIESEL FUEL

The weighted average price of diesel fuel was 122.5¢/litre in 2008-2009, an increase of 10.8¢/litre from the previous year.

MONITORING

PUBLICATIONS

CLIENT RELATIONS

COMPLAINTS FROM CONSUMERS OF ELECTRICITY AND NATURAL GAS

In connection with its authority to examine complaints from consumers of natural gas and electricity, the Régie received 160 complaints in 2008-2009.

During the same period, 140 complaints were settled, 58 by agreement between the parties, 41 through conciliation, 23 by decision on the basis of the file, 11 after an oral hearing, and 7 complaints were withdrawn. More than 75% of complaints were therefore settled without hearings.

The Régie continued its efforts to make conciliation the preferred method for handling consumer complaints against the electric power carrier or a distributor. Conciliation has proven to be a successful way to find win-win solutions to disputes between distributors and their customers, in line with the efficiency and modernization objectives enshrined in the Régie's strategic plan.

Hydro-Québec agreed to conciliation in 86% of cases; 100% of complaints involving other distributors went to conciliation. In all, 63 cases were referred to conciliation during the year. In only 22 of these cases did conciliation fail; in 41, or 65%, agreements were reached.

While conciliation did fail to produce an agreement in some instances, the process was useful, for it helped the parties understand the applicable regulations and engage in dialogue, leading to satisfactory outcomes in many cases.

Conciliation helps the parties elucidate their real interests and motives, express their feelings, and clarify their differences. It makes it more likely that both sides will emerge from the process feeling satisfied and that they will be able to maintain more positive relations in the future.

IN TOUCH WITH STAKEHOLDERS AND CONSUMERS

Information about the Régie's role, powers and procedures is available through various channels. Callers to the Régie's telephone info line can speak to an information officer to find out about the handling of complaints against the natural gas and electricity distributors or about petroleum product prices. Over 3,000 calls were handled during the year. The Régie also responded to some 250 enquiries from the media.

The Régie's website provides access to all public documents pertaining to applications. The online clerk's office now contains approximately 30,000 documents. Electronic communications have become the norm at the Régie, making it possible to update the site almost immediately. Live webcasts of the hearings make the Régie's work more accessible to participants and the general public alike.

PARTICIPANTS IN THE RÉGIE'S WORK

Agence de l'efficacité énergétique
Assembly of First Nations of Quebec and Labrador
Association coopérative d'économie familiale de l'Outaouais
Association coopérative d'économie familiale de Québec
Association de l'industrie électrique du Québec
Association des redistributeurs d'électricité du Québec
Association provinciale des constructeurs d'habitations du Québec
Association patronale des entreprises en construction du Québec
Association québécoise de lutte contre la pollution atmosphérique
Association québécoise des consommateurs industriels d'électricité
Association québécoise des indépendants du pétrole
Automobile Protection Association
Brookfield Energy Marketing Inc.
CAA-Québec
Canadian Federation of Independent Business
Canadian Petroleum Products Institute
Cargill Energy Trading Canada inc.
Conseil de la Nation Innu de Matimekush-Lac John
Corporation métisse du Québec et de l'Est du Canada
Costco Wholesale Canada Ltd
Fédération québécoise des municipalités locales et régionales
Gaz Metro Limited Partnership
Gazifère Inc.
Groupe de recherche appliquée en macroécologie
Groupe interconnexions et énergie Québec
Hydro-Québec Distribution
Hydro-Québec TransÉnergie
Industrial Gas Users Association
Innergex énergie renouvelable
Lièvre River Power
Listuguj Mi'maq Government
Mouvement au Courant
Nation Naskapi de Kawawachikamach
Newfoundland and Labrador Hydro
Ontario Power Generation
Option Consommateurs
Petro-Canada
Quebec Forest Industry Council
Regroupement des Gestionnaires et Copropriétaires du Québec
Regroupement des organismes environnementaux en énergie
Regroupement national des Conseils régionaux de l'environnement du Québec
Société en commandite Magpie
Stratégies énergétiques
TransCanada Energy Ltd.
Ultramar Ltée
Union des consommateurs
Union des municipalités du Québec
Union des producteurs agricoles
Ville de Saint-Jérôme

PAYMENT OF INTERVENORS' COSTS

The Régie may order the electricity carrier or any distributor of electricity or natural gas to pay, in whole or in part, expenses related to proceedings conducted under the Régie's authority. When the public interest warrants, the Régie may pay such costs for groups formed for the purpose of participating in its public hearings. The amount of the reimbursement is determined in accordance with the Act, the *Rules of Procedure* and the *Intervenor Costs Payment Guide*.

In 2008-2009, the Régie approved the payment of $2,788,487 in intervenor costs.

2008-2009 INTERVENOR COSTS

AMOUNTS PAYABLE APRIL 1, 2008 AND MARCH 31, 2009 BY CATEGORY OF SERVICE

Electricity	$2,109,154
Natural gas	$760,108
Petroleum products	$69,225
Total	$2,788,487

During the past year, the Régie produced its **2009-2013 sustainable development action plan** using the tools provided for the purpose by the government. In accordance with the government's 2008-2013 sustainable development strategy, the Régie adopted its plan on March 31, 2009, at the end of the financial year. Therefore, no actions were carried out during the last year under the action plan per se, which is not to say the Régie was inactive on this front; indeed, many of the measures in the action plan call for the continuation or expansion of initiatives already under way at the Régie. Under the action plan, the Régie has undertaken to implement the following measures over the next four years.

GOVERNMENT OBJECTIVE 1:

Raise awareness of the concept and principles of sustainable development. Foster sharing of experience and skills related to sustainable development and assimilation of the knowledge and know-how to implement it.

ORGANIZATIONAL OBJECTIVE 1:

Raise awareness of the nature and scope of the concept of sustainable development and its 16 principles.

ACTION 1

- Carry out activities that promote achievement of the government's awareness-raising and training plan for public servants.

INDICATORS

- Percentage of employees reached by awareness-raising activities.
- Percentage of administrative services directorate managers who have acquired sufficient knowledge of sustainable development to factor it into the strategic activities for which they are responsible.

TARGETS

- 100% of employees reached by awareness-raising activities by 2011.
- 100% of administrative services directorate managers have acquired sufficient knowledge of the concept of sustainable development to factor it into the strategic activities for which they are responsible.

INITIATIVES

- Develop and deliver awareness-raising and training activities.
- Appropriate personnel take training in the concept and principles of sustainable development.
- Produce electronic awareness-raising and information capsules and distribute to employees.
- Measure knowledge of sustainable development among employees.

ORGANIZATIONAL OBJECTIVE 2:

Use analytic tools that take principles of sustainable development into account in authorization activities.

ACTION 2

- Adapt and test an analytic grid for assessing administrative projects taking principles of sustainable development into account.

INDICATORS

- Extent of use of analytic grid for assessing administrative projects taking principles of sustainable development into account.

TARGETS

- Validate two analytic tools for use by March 31, 2010.
- 100% rate of use of approved tools by 2012.

INITIATIVES

- Adapt and use tools that take principles of sustainable development into account in analyzing the Régie's administrative projects. Train appropriate employees to understand and use the tools.

GOVERNMENT OBJECTIVE 4:

Develop and promote a culture of prevention and create conditions conducive to health, safety and environmental responsibility.

ORGANIZATIONAL OBJECTIVE 3:

Maintain and improve employees' physical and psychological health.

ACTION 3

- Provide employees with a work environment that promotes health, safety and quality of life.

INDICATORS

- Number of employee consultation and information activities promoting health, safety and quality of life in the workplace.

TARGETS

- 15 activities by March 31, 2013.

INITIATIVES

- Produce and distribute awareness-raising and information capsules.
- Continue delivering an employee assistance program.
- Enhance the current program to promote physical activity.
- Develop a program to promote better nutrition.
- Give employees an opportunity to express their vision of the organization when the Régie's strategic plan is updated.
- Give employees an opportunity to express their vision of their work at least once a year.

ACTION 4

- Promote and implement practices and activities that support human-powered transport.

INDICATORS

- Number of activities promoting a more energetic and physically active lifestyle.
- Number of activities promoting reduced dependence on the automobile.

TARGETS

- 15 activities by March 31, 2013.

INITIATIVES

- Raise awareness of walking and cycling as means of transport.
- Raise awareness of using the stairs through a special health-centred activity.
- Implement a program to facilitate cycling as a means of transport.

GOVERNMENT OBJECTIVE 6:

Implement environmental management measures and an environmentally responsible procurement policy at government ministries and agencies.

ORGANIZATIONAL OBJECTIVE 4:

Promote the adoption of environmentally responsible practices in the Régie's daily management and administration activities.

ACTION 5

- Implement practices and activities called for by the policy on environmentally responsible government.

INDICATORS

- Progress on implementation of an environmental management framework, measures to promote achievement of Québec's environmental management objectives, and environmentally responsible procurement practices.

TARGETS

- Implement 10 measures or activities that directly contribute to achievement of Québec's environmental management objectives by 2011.
- Implement environmentally responsible actions by 2010.
- Adopt an environmental management framework by 2011.

INITIATIVES

- Develop an environmental management framework.
- Design, adapt and/or use responsible consumption support tools.
- Gradually introduce and implement more environmentally friendly and socially responsible practices.

GOVERNMENT OBJECTIVE 7:

Promote reduced use of energy, natural resources and physical resources in the production and marketing of goods and services.

ORGANIZATIONAL OBJECTIVE 5:

Facilitate employee involvement in implementing and promoting energy efficiency.

ACTION 6

- Promote energy efficiency to employees.

INDICATORS

- Percentage of employees reached by activities that raise awareness of energy efficiency programs.

TARGETS

- 75% of employees reached by awareness-raising efforts by March 31, 2010.

INITIATIVES

- Hold information and training sessions on energy efficiency programs.
- Develop an energy efficiency action plan for the Régie and implement it by March 31, 2010.

The list of government objectives not addressed by the Régie's sustainable development action plan and the reasons appear in the appendix to the plan. As the sustainable development commissioner made no comment, no remedial action is being taken.

THE RÉGIE'S TEAM

ADMINISTRATION 2008-2009

While the Régie's operations revolve around its regulatory activities, administrative activities also claim considerable attention and effort.

SUBSTANTIAL ADMINISTRATIVE WORK WAS ACCOMPLISHED DURING THE YEAR:

- The Regulation respecting the annual duty payable to the Green Fund was applied and notices of payment totalling $200 million were issued
- The Regulation respecting the annual share payable to the Agence de l'efficacité énergétique was applied and notices of payment were issued
- Talks on a service agreement were held with the North American Energy Reliability Council (NERC) in connection with the introduction of mandatory reliability standards for electric power transmission systems
- A sustainable development action plan was adopted, in accordance with the Sustainable Development Act
- The Régie was represented on the interdepartmental committee on sustainable development and helped develop the government's sustainable development strategy
- Computer systems and applications were modified to enhance security
  - A new human resources and payroll management system was installed
  - An electronic document filing system was developed
  - The computer operating system and the servers were replaced
- The Intervenor Costs Payment Guide was revised
- A training program was delivered to new commissioners and staff
- Régie representatives were active participants in the work of the Canadian Association of Members of Public Utility Tribunals (CAMPUT) and the Régie's Chairman chaired CAMPUT's Regulatory Affairs Committee

COMMISSIONERS

FINANCIAL SUMMARY

THE RÉGIE'S ESTIMATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2009 ARE AS FOLLOWS:

RÉGIE'S ESTIMATED FINANCIAL RESULTS	
FISCAL YEAR ENDED MARCH 31, 2009	
Opening accumulated surplus	$297,126
Revenues	$10,487,149
Expenses	$9,854,939
Ending accumulated surplus	$929,336

OTHER INFORMATION

Revenue estimates as of May 25, 2009 for the fiscal year ended March 31, 2009 consisted primarily of the duties paid by the electric power carrier, the electric power distributors, including Hydro-Québec Distribution, the natural gas distributors, the petroleum product distributors that exceed 100 million litres, in accordance with the Regulation respecting the annual duty payable to the Régie de l'énergie (Order in Council 736-2004, section 112 of the Act), and fuel distributors, in accordance with the draft regulation to replace the above-mentioned regulation, published in the Official Gazette on April 1, 2009.

Pursuant to regulatory provisions, the audited accumulated surplus for 2008-2009 will be taken into account in calculating the rates and amounts of duty payable by the carrier and the subject distributors for 2009-2010. The duty payable to the Régie for the next fiscal year will therefore be reduced accordingly.

In accordance with section 106 of the Act and the related Order-in-Council (#832-2004), the Régie's budget forecasts for fiscal 2008-2009 were submitted to the Government on January 23, 2008 and approved by Order-in-Council 945-2008 on October 1, 2008.

COMMISSIONERS' CODE OF ETHICS

1. GENERAL PRINCIPLES
Commissioners shall at all times conduct themselves with loyalty and dignity, demonstrate reserve, and abstain from any statement or action that is incompatible with their duties. In the performance of their mandate, commissioners shall promote the satisfaction of Québec's energy needs in accordance with the principles of sustainable development and with attention to economic, social and environmental concerns. They shall also reconcile the public interest, consumer protection and equitable treatment of distributors.

2. IMPARTIALITY
Commissioners shall demonstrate impartiality at all times. They shall act and be seen to act objectively and without prejudice. They shall abstain from expressing in public any opinions that might cast doubt on their objectivity or impartiality, or that of the Régie.

3. INDEPENDENCE
Commissioners shall at all times defend the independence of their office. They shall perform their duties free of all interference. They shall avoid placing themselves in a vulnerable position.

4. POLITICAL NEUTRALITY
Commissioners shall set aside their personal political opinions so as to perform their duties with due objectivity. Commissioners shall exercise reserve in the public expression of their political opinions and shall not belong to any advocacy group that takes positions on energy-related matters.

5. CONFLICTS OF INTEREST
Commissioners shall avoid placing themselves in a position of conflict of interest. They shall arrange their personal affairs so as not to interfere with the performance of their duties. They shall not use the power of their position to obtain or grant any benefit or favour. Commissioners shall have no interest, direct or indirect, in any company that produces, transports, distributes or supplies energy, or in any organization, association or undertaking an interest in which would create a conflict between their personal interests and the duties of their position.

6. DECLARATION OF INTERESTS
Each Commissioner shall submit an annual written declaration to the Chairman of the Régie stating all the interests he or she possesses which he or she believes could create a conflict of interest.

7. RECUSAL
Commissioners shall recuse themselves from any deliberations in which their ability to deal impartially with the application under consideration could be in doubt. A commissioner shall bring any situation which he or she deems to be problematic to the attention of the Chairman of the Régie.

8. CONFIDENTIALITY
Commissioners shall swear an oath of confidentiality upon entering upon their duties. Commissioners shall abstain from making any comment or taking any public position on any file, whether or not they are personally responsible for that file, and shall express their points of view only through the decisions rendered by the Régie. Commissioners shall at all times respect the confidentiality of the documents and information to which they are made privy in the performance of their duties and may not use them for personal ends.

9. DUTY TO ACT WITH EQUITY
At hearings and in examining applications, commissioners shall ensure that all participants have the opportunity to be heard and to make their arguments, insofar as those arguments are admissible and relevant. At hearings, commissioners shall maintain order, taking a firm but courteous attitude which fosters mutual respect among all present.

10. COLLEGIALITY
Each commissioner shall provide his or her colleagues with appropriate support, while respecting the areas of competence of each. Commissioners shall strive to ensure that the decisions rendered by the Régie are consistent, so that all intervenors who appear before the Régie receive equitable treatment.

11. EXCELLENCE
Commissioners shall keep their professional skills and knowledge current so as to maintain the quality of their work.

12. DILIGENCE
Commissioners shall render written, reasoned decisions, effectively and diligently, in plain language.

13. OATH
Upon entering upon their duties, commissioners shall take the following oath: "I, ..., commissioner, do solemnly declare that I will exercise the powers and perform the duties of my position impartially and honestly, to the best of my ability and knowledge."

2009-2010 CASES

ELECTRIC POWER TRANSMISSION

Rates and conditions of service
- 2009 transmission rates (Phase II)
- 2010 transmission rates
- 2008 annual report
- New international financial reporting standards

Capital expenditures
- Batch approval of capital projects under $25 million
- Waconichi substation (Mistissini)
- Rivière-des-Prairies generating station
- Refurbishing and modernization of synchronous compensators at Abitibi substation
- Upgrading of main transmission system
- Chomedey substation
- Châteauguay substation
- Bourassa (or Anjou) substation
- Duvernay substation – 4th transformer
- Bélanger substation
- Nemiscau substation
- La Romaine connection

System reliability and technical requirements for system connections
- Approval of reliability standards
- Consultation on monitoring procedures and processes
- Approval of technical requirements for connection to transmission system

ELECTRIC POWER DISTRIBUTION

Rates and conditions of service
- 2010 distribution rates, including energy efficiency plan
- New international financial reporting standards
- 2008 annual report
- Application to create a deferred charge account
- Transitional rules for the community of Wemotaci in Haute-Mauricie
- Monitoring of energy efficiency plan assessment reports

Capital expenditures
- Connection of village of La Romaine
- Addition of capacitors to distribution system
- Follow-up on Decision D-2007-81 on power quality and sanctions for breaches of conditions of service
- Upgrade of GE Smallworld software
- Closed-loop voltage and capacitor control
- Radio meter-reading project
- Transmission line in Schefferville region
- Akulivik generating plant and wind/diesel hybrid project

Supply
- Progress report on 2009 supply plan
- Renewal of framework agreement
- Tender evaluation grid – community and Aboriginal projects
- Monitoring of tender solicitation - community and Aboriginal projects
- Tender evaluation grid – biomass cogeneration project
- Monitoring of tender solicitation - biomass cogeneration project
- Approval of program for procurement of power generated by small hydroelectric plants
- Supply case (issue of surpluses)

NATURAL GAS

Conditions of service
- Review of conditions of service of natural gas distributors

Gaz Métro
- Application to amend rates as of October 1, 2009
- Annual report, September 30, 2008
- Annual report, September 30, 2009
- Renewal of incentive mechanism
- Migration to new international financial reporting standards
- Necessary rate amendments and approval of capital expenditures for gas production projects in Québec

Gazifère Inc.
- 2010 rate case, closing of the books and supply plan, including energy efficiency plan
- Application for approval of network reinforcement project

AGENCE DE L'EFFICACITÉ ÉNERGÉTIQUE

- Progress report on comprehensive energy efficiency and new technologies plan
- 2010-2011 budget

PETROLEUM PRODUCTS

- Determination of an amount per litre representing operating costs

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For more information on the Régie, its people, its accomplishments and current cases, see our website:

www.regie-energie.qc.ca

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